

## Message Text

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11

ACTION NEA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 IO-10

AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03

CIEP-01 LAB-04 SIL-01 OMB-01 IGA-01 AGR-05 /100 W

----- 126804

R 200457Z AUG 75

FM AMEMBASSY DACCA

TO SECSTATE WASHDC 7788

C O N F I D E N T I A L DACCA 4067

EO 11652: GDS

TAGS: EFIN, PINT, BG

SUBJ: BANGLADESH COUP - FEW ECONOMIC DECISIONS YET

1. IN ADDITION TO THE GENERALIZED CALL TO ALL GOVERNMENT AND OTHER WORKERS AND PRODUCTIVE ENTERPRISES TO RESUME TRANSPORT SERVICES, AND ALL OTHER REGULAR ACTIVITIES, THE NEW GOVERNMENT HAS SO FAR TAKEN ONLY THREE SPECIFIC ECONOMIC/FINANCIAL DECISIONS, TO WIT: BLOCKING OF DOMESTIC BANK ACCOUNTS OF SELECTED POLITICAL FIGURES AND INSTITUTIONS, MODEST RATION INCREASE, AND RETURN OF UP TO TAKA 8,000 AGAINST DEPOSITS OF DEMONITIZED ONE HUNDRED TAKA NOTES (DACCA3957 AND 1783).

2. ON SUNDAY, AUGUST 17 AT 4 P.M. BANGLADESH BANK GOVERNOR CONVENED A MEETING OF THE CHAIRMEN OF THE SIX NATIONALIZED COMMERCIAL BANKS, THE THREE FOREIGN BANKS, AND THE TWO DEVELOPMENT BANKS TO INFORM THEM THAT ALL ACCOUNTS, AND ASSETS IN SAFE DEPOSIT BOXES, OF SELECTED INDIVIDUALS AND INSTITUTIONS WERE TO BE FROZEN AND BLOCKED. LIST OF INDIVIDUALS IS HEADED BY SHEIKH MUJIBUR RAHMAN AND INCLUDES HIS FAMILY

MEMBERS; POLITICAL AIDES TOFAIL AHMED, ABDUR RAZZAK, ZILLUR RAHMAN; FORMER MINISTERS KORBAN ALI, KAMARUZZAMAN, AND SAMAD; AND EX-RED CROSS CHIEF GAZI GOLAM MUSTAFA. INSTITUTIONS INCLUDE PRESIDENT'S FIVE FUNDS, INCLUDING SPECIAL RELIEF FUND FOR 1974 FLOOD, ALL BAKSAL, AWAMI LEAGUE AND RELATED FRONT'S FUNDS. (FULL CONFIDENTIAL

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TEXT OF BANGLADESH BANK CIRCULAR LETTER FOLLOWS BY AIRGRAM). MEET-

ING CONDUCTED WITHOUT DIRECT REFERENCE TO COUP, BUT GOVERNOR  
APPEARED "NEAR TEARS" ACCORDING TO AMERICAN EXPRESS REPRESENTATIVE.

3. RETURN OF DEMONITIZED TAKA. COMMERCIAL BANKS HAVE YET TO  
RECEIVE BANGLADESH BANK CIRCULAR FORMALLY AUTHORIZING RETURN OF UP  
TO 8,000 TAKA AND HENCE NO FUNDS HAVE YET BEEN RETURNED. AMERICAN  
EXPRESS REPORTS IT HAD VERY FEW INQUIRIES FROM DEPOSITORS AUGUST 18.

4. GOVERNMENT ANNOUNCED AUGUST 18 A MODEST ONE-WEEK INCREASE IN  
FLOUR AND SUGAR FOR RATION-CARD HOLDERS IN STATUTORY RATIONING  
AREAS ON THE OCCASION OF THE MUSLIM HOLIDAY SHAB-E-BARAT.

5. STRAW IN WIND DEPARTMENT: AMERICAN EXPRESS RECEIVED AUGUST 19  
PAPERS CONVEYING BDG APPROVAL, DATED AUGUST 18, OF CREDIT CARD AGREE-  
MENT WITH BANGLADESH BIAM, WHICH AMEXCO HAD BEEN SEEKING FOR MANY  
MONTHS.

COMMENT: WHILE THERE HAS , OF COURSE, BEEN ONLY SHORT TIME  
WHICH TO DO SO, NEW GOVERNMENT HAS YET TO TAKE ANY ECONOMIC  
POLICY DECISIONS. THE ABSENCE OF DECISIONS TO DATE, HOWEVER,  
MAKE IT OBVIOUS THERE WAS NO ADVANCE THOUGHT GIVEN TO SUCH QUESTIONS.  
RETURN OF TAKA NOTES, WHEN IMPLEMENTED, WILL BENEFIT SMALL SHOP-  
KEEPERS AND TRADERS WHOSE OVERNIGHT HOLDING ARE TYPICALLY UNDER  
TEN THOUSAND TAKA, PLUS LARGER FARMERS. ACTION, WHILE THUS BENEFIT-  
ING PRINCIPALLY LOWER MIDDLE CLASS BUSINESSMEN, RUN COUNTER  
TO SPIRIT OF OVERALL POLICY OF MONETARY RESTRAINT AGREED UPON  
WITH IMF. DELAY IN GETTING OUT OFFICIAL DIRECTIVE FROM BANK  
IS TYPICAL OF FIRST FEW DAY'S OPERATIONS OF NEW GOVERNMENT WITH  
CIVIL SERVANTS VIRTUALLY DIVORCED FROM MILITARY AND POLITICAL  
LEADERS.  
BOSTER

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## Message Attributes

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